

1020 Nineteenth Street N.W. Brussels
Suite 400 Chicago
Washington, D.C. 20036 London
(202) 293-5096 Minneapolis
Telex: 466191 New York
FAX: (202) 737-9064 Paris
St. Paul
Washington, D.C.

0100054042
\$18.00

December 1, 1993

18494

VIA HAND DELIVERY

DEC 1 1993 -2 35 PM

The Honorable Sidney L. Strickland, **INTERSTATE COMMERCE COMMISSION**
Secretary
Interstate Commerce Commission
12th Street & Constitution Avenue, N.W.
Washington, D.C. 20423

LICENSING BRANCH

Re: **Master Locomotive Lease Agreement
between VMV Enterprises, Inc. and
Southern Pacific Transportation Company**

Dear Mr. Strickland:

Enclosed herewith please find an original and one counterpart of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a Master Locomotive Lease Agreement, a primary document, dated October 15, 1993.

The names and addresses of the parties to the documents are as follows:

Lessor:

VMV Enterprises, Inc.
1300 Kentucky Avenue
Paducah, KY 42003

Lessee:

Southern Pacific Transportation Company
One Market Plaza
San Francisco, CA 94105

A description of the equipment covered by the document is attached as Schedule A to the Agreement.

A fee of \$16.00 is enclosed pursuant to 49 C.F.R. § 1002.2(f)(84). Please return the original and any extra copies not needed by the Commission for recordation to the representative of this law firm filing this document.

C. Oppenheimer
Charles E. Oppenheimer

The Hon. Sidney L. Strickland, Jr.
December 1, 1993
Page 2

A short summary of the document to appear in the index follows:

A Master Locomotive Lease Agreement between VMV Enterprises, Inc., 1300 Kentucky Avenue, Paducah, KY 42003, and Southern Pacific Transportation Company, One Market Plaza, San Francisco, CA 94105, dated October 15, 1993, and covering twenty SD40 and SD45 locomotives, identified by locomotive numbers VMV 8301, 8308, 8327, 8330, 8333, 8345, 8355, 8358, 8363, 8366, 8905, 8907, 8910, 8918, 8924, 8925, 8929, 8936, 8940, and 8941.

If you have any questions regarding this filing please contact me at (202) 293-5096.

Very truly yours,



Christopher Eric Hagerup

Interstate Commerce Commission
Washington, D.C. 20423

12/1/93

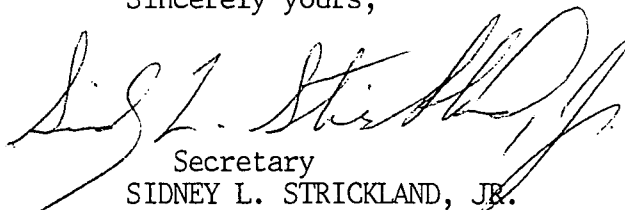
OFFICE OF THE SECRETARY

Christopher E. Hagerup
Oppenheimer Wolff & Donnelly
1020 19th St. N.W. Suite 400
Washington, D.C. 20036

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions
of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303,
on 12/1/93 at 2:35pm, and assigned
recordation number(s). 18494

Sincerely yours,


Secretary
SIDNEY L. STRICKLAND, JR.

Enclosure(s)

18494
DEC 1 1993 2:35 PM

MASTER LOCOMOTIVE LEASE AGREEMENT

TERMS COMMENCE

THIS LEASE, made and entered into as of this 15th day of October, 1993, by and between VMV ENTERPRISES, INC., a Kentucky Corporation (hereinafter called "Lessor"), and the SOUTHERN PACIFIC TRANSPORTATION COMPANY, a Delaware corporation (hereinafter called "Lessee").

LESSOR AND LESSEE HEREBY AGREE AS FOLLOWS:

1. Lease. Lessor agrees to lease to and the Lessee agrees to lease from Lessor the locomotives described in Schedule A, together with all replacement parts, additions, repairs and accessories incorporated therein and/or affixed thereto (the "Locomotives"), upon the terms and conditions set forth herein.

Lessee shall have the option to lease additional Locomotives which are described as "Optional Group II" and/or "Optional Group III". The terms and conditions of the option with respect to Optional Group II are contained in Schedule B attached hereto. The terms and conditions with respect to Optional Group III are described in Schedule C attached hereto.

Lessee shall notify Lessor of its intent to exercise its option to lease Optional Group II and/or Optional Group III by executing the appropriate Schedule and providing Lessor with a copy on or before November 1, 1993. Upon execution of Schedule B and/or Schedule C, these Locomotives shall be leased to Lessee upon the same conditions, covenants and terms of this Lease as amended by Schedules B and C.

The Lessee shall cause the Locomotives to be kept numbered with the identification numbers set forth in the Schedules and shall keep and maintain such numbers plainly, distinctly, permanently and conspicuously marked on each side of the Locomotives, in letters not less than one inch in height with appropriate changes thereof as from time to time may be requested by Lessor or required by law, in order to protect the Lessor's title to and interest in the Locomotives and the rights of the Lessor under this Lease. The Lessee shall not place the Locomotives in operation or exercise any control or dominion over the same unless so marked and shall replace promptly any such markings which may be removed, obliterated, defaced or destroyed. The Lessee shall not change the identification numbers of the Locomotives unless and until a statement of the new number to be substituted therefor shall have been filed with the Lessor and duly filed and deposited by the Lessee in all public offices where this Lease shall have been filed and deposited. The Lessee will not allow the name of any person, association or corporation to be placed on any Locomotive that is inconsistent with Lessee's interest hereunder.

2. Delivery and Acceptance of Locomotives. Lessor shall deliver the Locomotives to Lessee at Lessee's interchange point with Illinois Central Railroad Company, Memphis, TN, (the "Delivery Point"), and Lessee agrees to accept such delivery.

The Lessor agrees to furnish the Locomotives in compliance with the Federal Railroad Administration ("FRA"),

Association of American Railroads ("AAR") rules of interchange in effect at the time of delivery and in good operating condition as evidenced by Lessee's execution of the Certificate of Acceptance. The Lessee, at its sole cost and expense, shall have the right to inspect or reject the Locomotives prior to Lessor transporting the Locomotives from Lessor's shop to the Delivery Point. Acceptance of the Locomotives shall be evidenced by a "Certificate of Acceptance" in the form set forth in Schedule D, attached hereto, the execution of which shall constitute conclusive evidence of delivery and acceptance of the Locomotives herein identified. The Lessee shall be responsible for any transportation expense associated with moving the Locomotives from the Delivery Point.

3. Rent. This Lease shall commence with respect to each of the Locomotives on the date of delivery and acceptance of each Locomotive as provided in Paragraph 2 hereof and shall continue in effect until returned to Lessor at the end of the term of this Lease, as hereafter provided in Paragraph 13.

The rental shall be in the amounts set forth in Schedule A, attached hereto (the "Daily Rental"). The Daily Rental shall be payable at the end of each calendar month during the term of this Lease or any extension thereof. Lessee shall be entitled to an abatement of the Daily Rental for each day a Locomotive(s) is out of service for repairs which are the responsibility of the Lessor, pursuant to Paragraph 5 herein, commencing from the date the Locomotive goes out of service until the date it is returned serviceable to Lessee, not to exceed reasonable time limits.

During the Interim Term (as defined in Paragraph 4 of this Lease) and the Fixed Term (as defined herein), Lessee shall have the option to take any Locomotive off rent and store same for a period not to exceed a total of sixty (60) days during the Fixed Term of the Lease. Lessee shall notify Lessor in writing as it exercises this option. Lessee agrees to provide to Lessor free storage of the Locomotives on Lessee's premises for thirty (30) days after termination of this Lease, during which such thirty (30) day period, Lessor shall indemnify Lessee in a similar manner as provided for in Paragraph 10 of this Lease.

Lessee shall not be entitled to any reduction of rent or setoff, counterclaim, recoupment or defense against rent or any other amount payable hereunder for any reason whatsoever, including but not limited to, reductions, setoffs, counterclaims, recoupments or defenses due or alleged to be due by reason of any past, present or future claims of Lessee against Lessor any other person for any reason whatsoever, except as otherwise provided herein; nor shall this Lease terminate or the obligations of Lessee be otherwise affected by reason of any defect in the condition, design, operation or fitness for use of the Locomotives from whatever cause and of whatever duration, except as otherwise specifically provided herein.

4. Term of Lease. The interim term of this Lease with respect to each Locomotive ("Interim Term") shall commence on the date of delivery and acceptance of each Locomotive as provided in Paragraph 2 hereof and shall continue until the first day of the

month following the delivery of the last Locomotive (the "Effective Date"). Provided, however, that the Effective Date shall be no later than November 1, 1993, at which time the fixed term (the "Fixed Term") of this Lease shall commence and shall continue in full force and effect for a period of fifteen (15) months thereafter, unless the parties mutually agree to earlier terminate this Lease in whole or in part.

The Lessee has the right to extend the term of this Lease by executing either Renewal Option I which is in the form attached hereto and labeled Schedule E ("Renewal Option I") or Renewal Option II in the form attached hereto and labeled Schedule F ("Renewal Option II").

Lessee shall notify Lessor of its intent to extend the term of this Lease by executing either Renewal Option I or Renewal Option II and providing Lessor with an executed copy on or before August 1, 1994. Upon execution of either Renewal Option I or Renewal Option II, the extended term (the "Extended Term") of this Lease shall continue upon the same conditions, covenants and terms of this Lease, except that the rent shall be adjusted as set forth in the appropriate renewal option. It is understood that Renewal Option I and Renewal Option II are alternatives, with Lessee having the option to select the desired alternative.

The obligations of Lessee under Paragraphs 10 and 12 shall survive the expiration or sooner termination of this Lease. (The Interim Term, the Fixed Term and the Extended Term, herein collectively referred to as the "Term").

5. Warranties and Representations.

(a) Lessor warrants that it is the lawful owner of the Locomotives and has good and marketable title to same.

(b) Lessor warrants that all major rotating equipment and traction motors shall be free from defects for a period of thirty (30) days from the date of delivery and acceptance pursuant to Paragraph 2.

(c) Lessor warrants during the Term that in the event of a catastrophic failure to the AR10, prime mover, air compressor or in the event of an electrical fire, it shall repair or replace the defective parts or components at Lessor's sole expense.

(d) Lessor warrants that its sole obligation under this Lease shall be to correct a defect by repair or replacement, at Lessor's option, and such repair or replacement shall fulfill Lessor's obligation under this warranty and that Lessor shall not be responsible for any special, indirect, incidental or consequential damages resulting from a defect or breach of the warranty, whether such claim is based upon breach of contract, negligence, strict liability or any other theory of liability.

(e) EXCEPT FOR THE WARRANTIES SET FORTH ABOVE, LESSOR MAKE NO REPRESENTATIONS OR WARRANTIES OF ANY KIND RESPECTING THE LOCOMOTIVES, WHETHER STATUTORY, WRITTEN, ORAL OR IMPLIED AND LESSOR HAS NOT MADE AND DOES NOT MAKE, NOR SHALL IT BE DEEMED BY VIRTUE OF HAVING LEASED THE LOCOMOTIVES PURSUANT TO THIS LEASE TO HAVE MADE ANY REPRESENTATION OR WARRANTY AS TO THE MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, DESIGN OR CONDITION OF, OR AS TO THE

QUALITY OF WORKMANSHIP IN THE LOCOMOTIVES (EXCLUDING, HOWEVER, ANY WORK OR REPAIRS OR REPLACEMENTS MADE BY LESSOR PURSUANT TO PARAGRAPHS 5(b) AND 5(c) ABOVE) ALL OF WHICH ARE EXPRESSLY DISCLAIMED AND LESSOR SHALL NOT BE LIABLE IN CONTRACT, TORT OR OTHERWISE, ON ACCOUNT OF ANY MANUFACTURER'S DEFECT, WHETHER HIDDEN, LATENT OR OTHERWISE DISCOVERABLE OR NON-DISCOVERABLE RESPECTING ANY UNITS.

6. Place of Payment of Rent. Lessor shall invoice Lessee and Lessee shall pay Lessor by wire transfer within thirty (30) days following the date of the invoice to the credit of the following account:

VMV ENTERPRISES, INC.
National City Bank
ABA NO. 083-000056
Acct. No. 700-4167-7
Attn: Teresa Banet

7. Recordkeeping; Inspection. Lessee agrees to keep and maintain and make available to Lessor such record of Lessee's use, operation, inspection, repairs and maintenance of the Locomotives while in its possession as shall be reasonably required by Lessor. Lessor, by such agent or agents as it may designate, shall have the right at all reasonable times to go upon the property of Lessee to inspect the Locomotives while in the possession of Lessee. During such inspection Lessor shall indemnify Lessee in a similar manner as provided for in Paragraph 10 of this Lease.

Upon request, the Lessee shall certify that the numbers and markings required by Paragraph 1 hereof have been preserved or replaced. The Lessor, at its sole cost and expense, shall have the

right by its agents to inspect the Locomotives and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the Term of this Lease.

8. Risk of Loss; Loss or Destruction. All risk of loss, damage, theft or destruction to any of the Locomotives shall be borne by Lessee. In the event that a Locomotive during the Term hereof shall become lost, stolen, destroyed, irreparably damaged, permanently rendered unfit for use, or, in the reasonable opinion of the Lessor, damaged beyond the economic limit of repair, from any cause whatsoever, other than acts or omissions of Lessor (such occurrences being hereinafter called "Casualty Occurrences"), Lessee shall notify Lessor of such Casualty Occurrence. On the payment date next following the date of such Casualty Occurrence, Lessee shall pay to the Lessor any unpaid rent due on or prior to such date. Upon a Casualty Occurrence and in addition to any other sums payable under the terms of the Lease, the Lessee shall cause to be paid to the Lessor the Casualty Value of each Locomotive pursuant to the schedules attached hereto. Upon making such payment of the Casualty Value in respect of any Locomotives, rentals on such Locomotives shall cease as of the date of such payment and the term of this Lease as to such Locomotives shall terminate, and Lessor shall convey by bill of sale its right, title and interest in such Locomotives; provided, however, that Lessor has the option, to be exercised within fifteen (15) days after payment by Lessee of the Casualty Value, to retain any Locomotive the subject of a Casualty Occurrence, upon payment to Lessee of the

scrap or salvage value of such Locomotive, to be determined as agreed by Lessor and Lessee, or failing such agreement by the average of the bids placed upon the whole of such scrap or salvage by three independent parties; and provided, further that, in no event shall Lessor be required to pay more than \$100,000 salvage value for each Locomotive. Lessee shall furnish Lessor with certificates or other evidence of compliance with this Paragraph 8 as may be reasonably required. In the event that a Locomotive is taken or requisitioned by condemnation or otherwise by the United States Government for a period of which shall exceed the remaining term hereof, or by any other government or governmental entity resulting in the loss of possession by the Lessee for a period of sixty (60) consecutive days, Lessor shall relieve Lessee from rental payments for the Locomotive effective with the date Locomotive was first requisitioned or condemned by said governmental agency and settle with that governmental agency for any proceeds that Lessor is entitled and Lessee shall immediately pay over to Lessor any proceeds received by Lessee that is compensation for Lessor's loss of its ownership interest in the Locomotives. For any period of condemnation of less than sixty (60) days the Lessee shall continue to pay rental and handle with and retain any proceeds collected from the government agency.

9. Insurance. Lessee shall self insure against damage, loss, theft, destruction and all other physical risks as to any Locomotive, in an amount not less than the Casualty Value of the Locomotives. In the event of loss or damage, Lessee shall remit to

Lessor an amount to compensate Lessor for such loss or damage, in an amount not greater than the Casualty Value.

10. Indemnity. The Lessee agrees to indemnify, protect and hold harmless the Lessor from and against all losses, damages, injuries, liabilities, claims (including, without limitations, claims for strict liability in tort) and demands whatsoever, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, penalties, and interest, to the extent, arising from or caused by: (a) Lessee's failure to promptly perform any of its material obligations under the provisions of this Lease, or (b) Injury to person or property resulting from or based upon the actual or alleged use, operation, delivery or transportation of any or all of the Locomotives or its location or (c) Except as provided for in paragraphs 5(b) or 5(c), the inadequacy of the Locomotives, or any part thereof, for any purpose or any deficiency or defect therein or the use or maintenance thereof or any repairs, servicing or adjustments thereto or any delay in providing or failure to provide any thereof or any interruption or loss of service or use thereof or any loss of business, and shall, at its sole cost and expense, defend any and all suits which may be brought against Lessor, either alone or in conjunction with others upon any such liability or claim or claims and shall satisfy, pay and discharge any and all judgments and fines that may be recovered against Lessor in any such action or actions, provided, however, that (i) Lessor shall give Lessee written notice of any such claim or demand, (ii) Lessee shall not

be required to indemnify Lessor for any loss, liability or expense resulting from the gross negligence or willful misconduct of Lessor or the negligence of Lessor pertaining to injury to Lessor's employees, representatives or agents or damage to Lessor's property, only while such employees, representatives and agents or property is on the premises of Lessee. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the expiration or termination of the Term of this Lease.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time after Lessor has requested from Lessee in writing, prior to the required filing date (or to the extent permissible, file on behalf of the Lessor) any and all reasonable reports requested by Lessor, (other than tax returns) to be filed by the Lessor with any federal, state or other regulatory authority by reason of the ownership by the Lessor of the Locomotives, or the leasing thereof to the Lessee where the information for the reports is in the sole possession of Lessee.

11. Condition on Delivery; Maintenance; Performance.

Prior to delivery of the Locomotives to Lessee, the Lessor shall at its sole cost and expense perform an annual electrical and mechanical inspection. Lessor shall deliver the Locomotives to Lessee in good operating condition and all Locomotives shall have a minimum wheel tread of 1-3/4 inches.

The Lessee shall use the Locomotives only in the manner for which designed and intended and so as to subject them only to

ordinary wear and tear. With respect to the maintenance of the Locomotives, Lessee shall at all times during the term of this Lease, at Lessee's sole cost and expense: (1) Cause each of the Locomotives to be maintained, serviced and repaired, so as to keep it in as good operating condition, working order, and repair as it was when it first became subject to this Lease, ordinary wear and tear excepted; and (2) Maintain the Locomotives in compliance with any and all applicable laws and regulations. In no event shall the Locomotives be maintained or scheduled for maintenance on a basis less frequent than the maintenance or maintenance scheduling basis employed as of the date hereof by the Lessee for similar equipment or as specified by the original equipment manufacturer. Any parts installed or replacements made by Lessee upon the Locomotives shall be considered accessions to the Locomotives and title thereto shall be immediately vested in Lessor, without cost or expense to Lessor.

VMV warrants that following the initial thirty (30) days after acceptance and delivery of the Locomotives that the Locomotives will perform at eight-seven percent (87%) availability. Availability shall be calculated excluding down-time for scheduled maintenance. Any Locomotive that performs below eight-five percent (85%) availability for a given thirty (30) day period, at the sole option of Lessee, may be taken off rent and returned to Lessor, FOB interchange Illinois Central Railroad Company, Memphis, TN, without additional penalty to either party.

The resulting days off lease for any warranty repairs to be made by Lessor pursuant to Paragraph 5 herein shall be added on

to the rental lease term to meet the minimum thirteen (13) month lease term.

12. Compliance with Laws. Lessee shall at all times during the term of this Lease and any extended term, comply with all laws, rules, regulations and orders of the FRA and the rules of interchange of the AAR and all other applicable governmental agencies with respect to the use, maintenance and operation of the Locomotives during this Lease.

13. No Purchase Option; Delivery of Locomotives to Lessor. The Lessee has no option to purchase the Locomotives which are the subject of the Lease. At the end of the term of this Lease or upon earlier termination or at such time after the end of the term of this Lease as designated by Lessor should Lessor have requested free storage of the Locomotives on Lessee's premises as provided in Paragraph 2 of this Lease, Lessee shall deliver the Locomotives at its sole cost and expense to its interchange point with Illinois Central Railroad Company, Memphis, TN.

14. Assignment by Lessee. Lessee shall not assign or sublet its interest, or any parts thereof, under this Lease, or permit the use or operation of the Locomotives subject to this Lease by any other person, firm or corporation, other than subsidiaries or affiliates operated as part of Lessee without the prior written consent of Lessor. Lessor expressly consents to incidental operation and use on railroads other than Lessee's under standard run through arrangements and horsepower hour exchanges; provided, however, that a Locomotive may not be so operated or used

outside the 48 contiguous states of the United States, except for brief periods of operation in Mexico and Canada as required by standard operating schedules. Notwithstanding any assignment or sublet as provided in this paragraph, Lessee shall not be relieved of its obligations under this Lease without the written consent of the Lessor.

15. Assignment by Lessor. Lessor may at any time assign its rights and obligations under this Lease without notice to or prior consent of the Lessee and in such event Lessor's transferee as assignee shall have to the extent provided in the assignment the rights, power, privileges and remedies of Lessor hereunder; provided, however, that no assignment shall relieve Lessor of its obligations under Paragraphs 5 and 10 herein.

16. Notices. Unless otherwise specifically provided, any notices to be given under this Lease or any other communications between the parties shall be given by certified mail, postage addressed in the following manner:

Arthur M. Henson
V.P. Transportation
SOUTHERN PACIFIC TRANSPORTATION COMPANY
1515 Arapahoe Street, 12th Floor
Denver, CO 80202

Copy to: William E. Fowler
Director - Contracts and Joint Facilities
SOUTHERN PACIFIC TRANSPORTATION COMPANY
Southern Pacific Building, Room 1004P
One Market Plaza
San Francisco, CA 94105
Notices from Lessee to Lessor shall be sent to:

Paul M. Seaton, President
VMV ENTERPRISES, INC.
1300 Kentucky Avenue
Paducah, KY 42003

17. Quiet Enjoyment. So long as Lessee makes its aforesaid rental payments and otherwise complies with the terms and provisions hereof, Lessee shall be entitled to the use and possession of the Locomotives according to the terms hereof without interference by the Lessor or by any party lawfully claiming by or through the Lessor.

18. Authority. The undersigned signatories herewith represent and warrant that they are fully authorized to execute this Lease and bind the respective parties to the terms and provision hereof.

19. Failure to Return. Should Lessee fail to return a Locomotive as required by this Lease, other than a failure to return caused by loss or destruction as described in Paragraph 8, Lessee shall pay Lessor the Daily Rental per Locomotive in effect on the last day of the term of the Lease until the Locomotives is delivered to Lessor pursuant to Paragraph 13.

20. Protection of Lessor's Title. Lessor may, at its option, cause this Lease to be duly filed, registered or recorded in conformity with the Interstate Commerce Commission, 49 USC Section 11303, or other places within or without the United States as Lessor may reasonably request for the protection of its title. Lessee will, from time to time, execute, acknowledge and deliver to Lessor any and all further instruments reasonably requested by Lessor, for the purpose of protecting Lessor's title to the Locomotive.

21. Taxes. See Schedule G which is attached hereto and incorporated by reference herein.

22. Performance Obligations of Lessee by Lessor. In the event that the Lessee shall fail duly and promptly to perform any material obligations under the provisions of this Lease, the Lessor may, at its option, perform the same for the account of Lessee without thereby waiving such default, and any amount paid or expense (including reasonable attorneys' fees), penalty or other liability incurred by the Lessor in such performance.

23. Default. An event of default shall occur if:

(a) Lessee fails to pay when due any installment of rent and such failure continues for a period of ten (10) days; (b) Lessee shall fail to perform or observe any material covenant, condition or agreement to be performed or observed by it hereunder and such failure continues uncured for thirty (30) days after written notice thereof to Lessee by Lessor; (c) Lessee ceases doing business as a going concern, admits in writing its inability to pay its debts as they become due, files a voluntary petition in bankruptcy, is adjudicated a bankrupt or an insolvent, files a petition seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar arrangement under any present or future statute, law or regulation or files an answer admitting the material allegations of a petition filed against it in any such proceeding, consents to or acquiesces in the appointment of a trustee, receiver, or liquidator of it or of all or any substantial part of its assets or properties, or if it or

its shareholders shall take any action looking to its dissolution or liquidation; (d) within sixty (60) days after the commencement of any proceedings against Lessee seeking reorganization, arrangement, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceedings shall not have been dismissed, or if within sixty (60) days after the appointment without Lessee's consent or acquiescence of any trustee, receiver or liquidator of it or of all or any substantial part of its assets and properties, such appointment shall not be vacated; or (e) Lessee attempts to remove, sell, transfer, encumber, part with possession or sublet the Locomotives or any item thereof in a manner prohibited hereunder (an "Event Of Default").

Upon the occurrence of an Event Of Default, Lessor, at its option, may: (a) declare all sums due and to become due hereunder immediately due and payable; (b) proceed by appropriate court action or actions or other proceedings either at law or equity to enforce performance by the Lessee of any and all covenants of this Lease and to recover damages for the breach thereof; (c) demand that Lessee deliver the Locomotives forthwith to Lessor at Lessee's expense at such place as Lessor may designate; and (d) Lessor and/or its agents may, without notice or liability or legal process, enter into any premises of or under control or jurisdiction of Lessee or any agent of Lessee where the Locomotive may be or by Lessor is believed to be, and retake all or any item thereof, disconnecting and separating all thereof from any

other property and using all force necessary or permitted by applicable law to do so, Lessee thereby expressly waiving all further rights to possession of the Locomotives and all claims for damages suffered through or loss caused by such retaking. If any statute governing any proceeding hereunder specifies the amount of Lessor's deficiency or other damages for breach of this Lease by the Lessee, Lessor shall be entitled to provide as and for damages for the breach an amount equal to that allowed under such statute. The provisions of this paragraph shall be without prejudice to any rights given to the Lessor by such statute to provide for any amounts allowed thereby. Should any proceedings be instituted by or against Lessor for monies due to Lessor hereunder and/or for possession of the Locomotive or for any other relief, Lessee shall pay a reasonable sum as attorneys' fees.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The Lessor and the Lessee agree that the

Lessor shall be entitled to all rights (such rights being fundamental to the willingness of the Lessor to enter into this Lease) provided for in the Bankruptcy Code or of any other bankruptcy act, so that the Lessor shall have the right to take possession of the Locomotive upon any Event Of Default under this Lease regardless of whether the Lessee is in reorganization. No failure by the Lessor to exercise, and no delay by the Lessor in exercising, any right, power or privilege by the Lessor preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

24. Choice of Law. This Lease shall be governed in all respects by the Law of the Commonwealth of Kentucky.

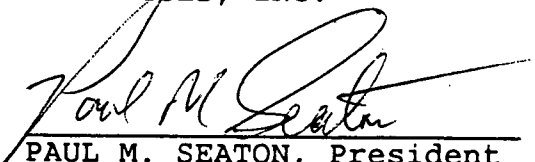
25. Miscellaneous. All transportation charges for delivery of the Locomotives to Lessee beyond Memphis, Tennessee, and the return of the Locomotives to a point on the Lessee's lines specified by Lessor shall be borne by Lessee. If any part hereof is contrary to, prohibited by or deemed invalid under applicable laws or regulations of any jurisdiction, such provision shall be inapplicable and deemed omitted but shall not invalidate the remaining provisions hereof. This Lease is irrevocable for the full term hereof and for the aggregate rental herein received. Lessee admits the receipt of a true copy of this Locomotive Lease Agreement.

* * * * *

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto on the date and year first above written.

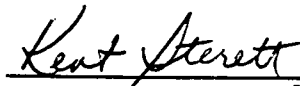

LESSOR
VMV ENTERPRISES, INC.

By:


PAUL M. SEATON, President

LESSEE
SOUTHERN PACIFIC TRANSPORTATION COMPANY

By:

 
Op (Title)

jtg\93.122

SCHEDULE A

<u>Locomotive No.</u>	<u>Type</u>	<u>Casualty Value</u>
VMV 8301	SD40	\$200,000
VMV 8308	SD40	\$200,000
VMV 8327	SD40	\$200,000
VMV 8330	SD40	\$200,000
VMV 8333	SD40	\$200,000
VMV 8345	SD40	\$200,000
VMV 8355	SD40	\$200,000
VMV 8358	SD40	\$200,000
VMV 8363	SD40	\$200,000
VMV 8366	SD40	\$200,000
VMV 8905	SD45	\$200,000
VMV 8907	SD45	\$200,000
VMV 8910	SD45	\$200,000
VMV 8918	SD45	\$200,000
VMV 8924	SD45	\$200,000
VMV 8925	SD45	\$200,000
VMV 8929	SD45	\$200,000
VMV 8936	SD45	\$200,000
VMV 8940	SD45	\$200,000
VMV 8941	SD45	\$200,000

DAILY RENTAL. The Daily Rental for each Locomotive shall be the sum of \$190.00 per day during the Interim Term. The Daily Rental shall be the sum of \$270.00 per day during the Fixed Term. However, unless the Lessor has entered into a written agreement with Lessee prior to November 15, 1993, for Lessor to remanufacture 50-SD40-3's for Lessee, the Daily Rental during the Fixed Term shall be adjusted to \$290.00 per day, retroactive to the first day of the Fixed Term.

DELIVERY. The Locomotives will be delivered to Lessee as they become available.

SCHEDULE B

Optional Group II

The following Locomotives shall be delivered to Lessee upon its exercise of option to Lease the Locomotives referred to as Optional Group II, as set forth in Paragraph 1 of the Master Locomotive Lease Agreement (the "Lease"). All conditions, covenants and terms of the Lease shall apply, except as specifically modified herein.

<u>Locomotive No.</u>	<u>Type</u>	<u>Casualty Value</u>
VMV 600	SD40	\$200,000
VMV 609	SD40	\$200,000
VMV 610	SD40	\$200,000

DAILY RENTAL. The Daily Rental for each Locomotive shall be the sum of \$270.00 per day. However, unless the Lessor has entered into an agreement with Lessee prior to November 15, 1993, for Lessor to remanufacture 50-SD40-3's for Lessee, the Daily Rental shall be adjusted to \$290.00 per day, retroactive to the first day of the Fixed Term.

FIXED TERM. Fifteen (15) months from the Effective Date, subject to Lessee's right to remove from service for sixty (60) days pursuant to Paragraph 3 of the Lease.

DELIVERY. The Locomotives will be delivered to Lessee no later than thirty (30) days after Lessor's receipt of the executed copy of this Schedule.

OPTION TO CANCEL. Lessor and Lessee are currently discussing a proposal by Lessor to sell or lease to Lessee fifty (50) remanufactured SD40-3 locomotives. In the event that on or before November 15, 1993, Lessor and Lessee enter into an agreement whereby Lessor is to lease or sell to Lessee fifty (50) or more SD40-3 locomotives, then in such event, either party shall have the option to cancel this Lease as it pertains to any of the Locomotives described in Schedule B, in which Lessor has not yet begun repairs for placement into service under the provisions of this Lease.

It is understood that this Option To Cancel is expressly limited to the Locomotives described in Schedule B and that Lessee is obligated to accept any Locomotive on which there is work in progress in Lessor's factory at the time this Option To Cancel is exercised.

This Option To Cancel may be exercised by either party upon the limited circumstances provided herein, by written notice to the other party.

SCHEDULE B
(continued)

Lessee exercises its option to lease the Locomotives described in Optional Group II.

SOUTHERN PACIFIC TRANSPORTATION COMPANY

By: Kent Stewart

Date: _____

ACCEPTED:

VMV ENTERPRISES, INC.

By: _____

Date: _____

jtg\93.124

SCHEDULE C

Optional Group III

The following Locomotives shall be delivered to Lessee upon its exercise of option to lease the Locomotives referred to as Optional Group III, as set forth in Paragraph 1 of the Master Locomotive Lease Agreement (the "Lease"). All conditions, covenants and terms of the Lease shall apply, except as specifically modified herein.

<u>Locomotive No.</u>	<u>Type</u>	<u>Casualty Value</u>
VMV 8926	SD45	\$200,000
VMV 8927	SD45	\$200,000
VMV 8928	SD45	\$200,000
VMV 8930	SD45	\$200,000
VMV 8931	SD45	\$200,000
VMV 8932	SD45	\$200,000
VMV 8933	SD45	\$200,000
VMV 8934	SD45	\$200,000
VMV 8935	SD45	\$200,000
VMV 8937	SD45	\$200,000
VMV 8938	SD45	\$200,000
VMV 8939	SD45	\$200,000
VMV 8942	SD45	\$200,000
VMV 8943	SD45	\$200,000
VMV 8944	SD45	\$200,000

DAILY RENTAL. The Daily Rental for each Locomotive shall be the sum of \$270.00 per day. However, unless the Lessor has entered into an agreement with Lessee prior to November 15, 1993, for Lessor to remanufacture 50-SD40-3's for Lessee, the Daily Rental shall be adjusted to \$290.00 per day, retroactive to the first day of the Fixed Term.

FIXED TERM. Fifteen (15) months from the Effective Date, subject to Lessee's right to remove from service for sixty (60) days pursuant to paragraph 3 of the Lease.

DELIVERY. The Locomotives will be delivered to Lessee no later than sixty (60) days after Lessor's receipt of the executed copy of this Schedule.

OPTION TO CANCEL. Lessor and Lessee are currently discussing a proposal by Lessor to sell or lease to Lessee fifty (50) remanufactured SD40-3 locomotives. In the event that on or before November 15, 1993, Lessor and Lessee enter into an agreement whereby Lessor is to lease or sell to Lessee fifty (50) or more SD40-3 locomotives, then in such event, either party shall have the option to cancel this Lease as it pertains to any of the Locomotives

SCHEDULE C

Optional Group III
(continued)

described in Schedule C, in which Lessor has not yet begun repairs for placement into service under the provisions of this Lease.

It is understood that this Option To Cancel is expressly limited to the Locomotives described in Schedule C and that Lessee is obligated to accept any Locomotive on which there is work in progress in Lessor's factory at the time this Option To Cancel is exercised.

This Option To Cancel may be exercised by either party upon the limited circumstances provided herein, by written notice to the other party.

Lessee exercises its option to lease the Locomotives described in Optional Group III.

SOUTHERN PACIFIC TRANSPORTATION COMPANY

By: _____

Date: _____

ACCEPTED:

VMV ENTERPRISES, INC.

By: _____

Date: _____

jtg\93.125

SCHEDULE D

Certificate of Acceptance

TO: VMV ENTERPRISES, INC.
1300 Kentucky Avenue
Paducah, Kentucky 42003

The undersigned, a duly authorized inspector of the Southern Pacific Transportation Company, does hereby certify that:

Under the authority of Lessee, I have inspected and accepted delivery of the Locomotive(s) specified below as conforming in all respects to the terms and conditions of the Master Locomotive Lease Agreement (the "Lease").

Under authority of Lessee, I have further certified that by virtue of my acceptance of the Locomotive(s), the same have, on the dates stated, come under lease to Lessee pursuant to the terms and conditions of the Lease.

<u>New Locomotive No.</u>	<u>Former Locomotive No.</u>	<u>Date of Delivery and Acceptance</u>
---------------------------	------------------------------	--

SOUTHERN PACIFIC TRANSPORTATION COMPANY

By: _____
Authorized Inspector

SCHEDULE E

Renewal Option No. I

As evidenced by the execution of this Schedule, Lessee does hereby exercise its option to extend the term of the Master Locomotive Lease Agreement (the "Lease"). All conditions, covenants and terms of the Lease shall remain in effect, except as specifically modified herein.

DAILY RENTAL. During the Extended Term the Daily Rental for each Locomotive shall be the sum of \$250.00 per day. However, unless Lessor and Lessee have entered into a written agreement prior to November 15, 1993, for Lessor to remanufacture 50-SD40-3's for Lessee, the Daily Rental shall be adjusted to \$270.00 per day, retroactive to the first day of the Extended Term.

RENEWAL TERM. The Fixed Term of the Lease is hereby extended for a period of fifteen (15) months, subject to Lessee's right to remove from service for sixty (60) days, pursuant to Paragraph 3 of the Lease.

LOCOMOTIVES. This Renewal Option I shall apply to all Locomotives currently under lease on the last day of the Fixed Term.

Lessee exercises its option to extend the term of the Lease pursuant to Renewal Option No. I.

SOUTHERN PACIFIC TRANSPORTATION COMPANY

By: _____

Date: _____

ACCEPTED:

VMV ENTERPRISES, INC.

By: _____

Date: _____

jtg\93.127

SCHEDULE F

Renewal Option No. II

As evidenced by the execution of this Schedule, Lessee does hereby exercise its option to extend the term of the Master Locomotive Lease Agreement (the "Lease"). All conditions, covenants and terms of the Lease shall remain in effect, except as specifically modified herein.

DAILY RENTAL. During the Extended Term the Daily Rental for each Locomotive shall be the sum of \$230.00 per day. However, unless Lessor and Lessee have entered into a written agreement prior to November 15, 1993, for Lessor to remanufacture 50-SD40-3's for Lessee, the Daily Rental shall be adjusted to \$250.00 per day, retroactive to the first day of the Extended Term.

RENEWAL TERM. The Fixed Term of the Lease is hereby extended for a period of thirty (30) months, subject to Lessee's right to remove from service for ninety (90) days.

LOCOMOTIVES. This Renewal Option II shall apply to all Locomotives currently under lease on the last day of the Fixed Term.

Lessee exercises its option to extend the term of the Lease pursuant to Renewal Option No. II.

SOUTHERN PACIFIC TRANSPORTATION COMPANY

By: _____

Date: _____

ACCEPTED:

VMV ENTERPRISES, INC.

By: _____

Date: _____

jtg\93.128

SCHEDULE GTaxes

(a) Indemnification for Nonincome Taxes. The Lessee agrees to pay, and to indemnify and hold the Lessor harmless from all taxes, assessments, fees and charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Lessor, the Lessee, or otherwise, by any Federal, state or local government or governmental subdivisions in the United States or by any foreign country or subdivision thereof, upon or with the respect to the transactions contemplated by this Lease and upon or with respect to the Locomotives or any item thereof; the ownership, delivery, leasing, possession, use, operation or return of the Locomotives; the rental payable by the Lessee; or the Lessee's receipts or earnings arising from the Lessee's use of the Locomotives (all such taxes, assessments, fees, charges and all penalties, fines, additions to tax and interest imposed in connection therewith being hereinafter called "Taxes"); excluding, however: (i) any income, franchise and capital taxes that are on or measured by net income (including any minimum or alternative minimum income taxes and any income taxes on or measured by items of tax preference) imposed by the United States federal government or by any state or local taxing jurisdiction in the United States or by any foreign country or subdivision thereof (hereinafter called "Income Taxes"); (ii) taxes imposed on the Lessor resulting from (A) the Lessor's purchase or other acquisition of the

Locomotives or of any item thereof, (B) a voluntary or involuntary sale, assignment, transfer or other disposition by the Lessor of the Locomotives or of any item thereof, or (C) a disposition in connection with a bankruptcy or similar proceeding involving the Lessor; (iii) taxes related to the Locomotives or any time thereof in respect of any period after the expiration or early termination of this Lease; (iv) taxes on the Lessor which arise out of or are caused by the negligence or willful misconduct of the Lessor; (v) taxes which have been included in the cost of the Locomotives or any item thereof; (vi) taxes imposed against a transferee of the Lessor to the extent of the excess of such taxes over the amount of taxes which would have been imposed had there not been such a transfer; or (vii) taxes in connection with repair of Locomotives by Lessor or its designee; provided, however, that the Lessee shall not be required to pay any Taxes during the period it may be contesting the same in the manner provided in this Schedule G, Paragraph 21 hereof.

(b) Claims; Contest; Refunds. If any claim is made against the Lessor for any Taxes as to which the Lessee would have an indemnity or payment obligation under this Paragraph, the Lessor shall promptly notify the Lessee in writing, Lessee may at its own expense and by appropriate administrative or judicial proceedings, or both, contest or defend in good faith such asserted claim by (a) resisting payment thereof if possible, (b) not paying the same except under protest, if protest is necessary and proper, or (c) if payment is made, using reasonable efforts to obtain a refund thereof. Any contest or defense conducted pursuant to this Paragraph may be conducted by the Lessee either on its own behalf

or, if required by the applicable jurisdiction, in the Lessor's name on the Lessor's behalf. Notwithstanding the foregoing, no proceeding or actions relating to such contest or defense shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed) unless (i) in the reasonable opinion of the Lessor such contest or the nonpayment of the Taxes would not adversely affect the title, property or rights of the Lessor hereunder or (ii) the Lessee provides a bond or other security reasonably satisfactory to the Lessor. The Lessee agrees to give the Lessor reasonable notice of such contest or defense prior to the commencement thereof. If the Lessor shall obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee in connection with any such contest or defense or any amount representing interest thereon, the Lessor shall pay the Lessee the amount of such refund or interest.

(c) Reports or Returns. In case any report or return is required to be made with respect to Taxes (other than Income Taxes), the Lessee will, where permitted to do so under applicable rules and regulations, make and timely file such reports and returns, including exemption certificates or affidavits with respect to any sales or use tax, in such manner as to show the interest of the Lessor in the Locomotives as shall be reasonably satisfactory to the Lessor or, where not so permitted, will as soon as the Lessee has actual knowledge thereof, notify the Lessor of such requirement and will upon Lessor's written request, assist in the preparation of such; provided, however, the Lessee shall be responsible for reporting the Locomotives for ad valorem property

tax purposes in the applicable states or localities and the Lessor shall not include the Locomotives in any ad valorem or other similar property tax returns filed by it in such states or localities.

(d) Survival. All the obligations of the Lessee under this Paragraph shall survive and continue, but only with respect to periods included in the term of this Lease, notwithstanding payment in full of all amounts due under this Lease or the termination of this Lease. Payments due from the Lessee to the Lessor under this Paragraph shall be made directly to the Lessor, except to the extent paid to a governmental agency or taxing authority. Any payment by the Lessee to a governmental agency in satisfaction of Taxes for which it is obligated to indemnify the Lessor under this Paragraph shall be given full credit against Lessee's obligation to indemnify the Lessor to the extent that such payment discharges the Lessor's legal obligation to pay such Taxes.

(e) Notices. Any notices from Lessor to Lessee regarding any tax matter shall be sent to the following, in addition to Lessee's representatives identified in Paragraph 16 of the Lease:

William E. Saul
Vice President and Counsel - Taxes
SOUTHERN PACIFIC TRANSPORTATION COMPANY
Southern Pacific Building, Room 250
One Market Plaza
San Francisco, CA 94105

jtg\93.129

Form Approved
Guy A. L. H.

VERIFICATION

I hereby certify that the foregoing is a true and accurate copy of the originally executed Master Locomotive Lease Agreement between VMV Enterprises, Inc. and Southern Pacific Transportation Company, dated October 15, 1993.



Susan C. Ramage

Commonwealth of Kentucky

County of McCracken

My commission expires 10-7-97